

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 1979 - HB 2460**

March 4, 2018

**SUMMARY OF BILL:** Establishes the process a county property assessor is required to use to classify and assess low-income housing properties.

**ESTIMATED FISCAL IMPACT:**

**Decrease Local Revenue – \$10,600,800**

Assumptions:

- This legislation defines low-income property as property participating in federal programs to incentivize private housing investment in return for rent concessions to needy tenants and includes low income housing tax credit (LIHTC) property and FmHA 515 property.
- This legislation requires a parcel of property classified by a property assessor as low-income housing be valued in accordance with present use value, determined by reference to the gross income of the property from the property's restricted rent and is prohibited from taking into account or assigning value to subsidies associated with the property.
- Based on information provided by the Tennessee Housing Development Authority (THDA), this legislation would affect the properties developed through THDA's Tax Credit Program and existing multi-family properties overseen by the U.S. Department of Agriculture's rural rental housing program; however, any fiscal impact to the THDA is estimated to be not significant.
- Any impact to state government is estimated to be not significant.
- According to information provided by the Comptroller of the Treasury (COT), excluding federal subsidies and tax credits from low-income property valuation would decrease property values by approximately \$803,093,160.
- Tennessee's median property tax rate is \$3.30 per \$100 in property value or 3.3%.
- Pursuant to Article II, Section 28 of the Tennessee Constitution, the commercial assessment rate is 40 percent.
- The current effective tax rate on low-income property is estimated to be 1.32 percent (3.3% x 40%).
- The estimated decrease in local revenue resulting from low-income housing assessed in accordance with this legislation is estimated to be \$10,600,830 (\$803,093,160 x 1.32%).

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**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/amj